BUDGET LETTER

NUMBER: 04-26	
SUBJECT: CREATION OF OFFICE OF TECHNOLOGY REVIEW, OVERSIGHT, AND SECURITY; DESKTOP AND MOBILE COMPUTING POLICY; CHANGES TO DELEGATED COST THRESHOLDS; AND SUSPENSION OF SOME INFORMATION TECHNOLOGY REPORTING ACTIVITIES TO FINANCE	**DATE ISSUED:** August 30, 2004
REFERENCES: BUDGET LETTER 04-09; STATE ADMINISTRATIVE MANUAL SECTIONS 4819.39 AND 4989-4992; STATEWIDE INFORMATION MANAGEMENT MANUAL	**SUPERSEDES:**

TO: Agency Secretaries
        Department Directors
        Departmental Budget Officers
        Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Please forward a copy of this Budget Letter (BL) to your agency's Chief Information Officer (CIO).

The Department of Finance (Finance) has responsibility for budgeting and control of Information Technology (IT) expenditures under its general powers of supervision specified in Government Code Section 13070. As such, Finance approval is required for proposed IT expenditures. The State Administrative Manual (SAM) Section 4819 provides definitions and summarizes the compliance requirements for the administration of IT in State government. State agencies must adhere to all State policies, procedures, directives, and guidelines pertaining to IT. Additional detail regarding specific requirements, policies, or procedures is provided throughout SAM Sections 4800 through 5953, SAM Sections 6700 through 6780, and the Statewide Information Management Manual (SIMM). Annual updates to these policies, specific reporting criteria, procedures, and forms are addressed through BLs.

Purpose

This BL announces: (1) the creation of the Office of Technology Review, Oversight, and Security (OTROS) at Finance; (2) the replacement of the Workgroup Computing Policy (WCP) with the Desktop and Mobile Computing Policy (DMCP); (3) changes to agency delegated cost thresholds; and (4) the suspension of Agency Information Management Strategy (AIMS) and Information Management Cost Report reporting activities to Finance. Each agency should review the applicable SAM Sections and SIMM in conjunction with this BL to ensure complete understanding of the reporting requirements.

Note: When used in lower case, agency refers to any office, department, board, bureau, commission or other organizational entity within state government. When capitalized (Agency) the term refers to one of the state's super agencies such as the State and Consumer Services Agency or the Health and Human Services Agency.

1. **Creation of the OTROS at Finance**

    Currently, Finance operates two organizations devoted to the review and oversight of IT proposals. The Technology Investment Review Unit (TIRU) reviews and analyzes IT proposals (e.g., Feasibility Study Reports, Special Project Reports, IT-related Budget Change Proposals submitted to Finance by state agencies) and makes recommendations regarding funding and/or expenditure authority to the Finance Program Budget manager responsible for review of an agency's budget. TIRU's review is to ensure that proposed expenditures on IT activities represent a meaningful business return from an investment perspective.   The Technology Oversight and Security Unit (TOSU) is divided into two functional teams: the Oversight Team and the Security Team. The Oversight Team assesses agencies and IT projects to ensure that agencies employ adequate project management best practices, effectively identify and properly manage risks, and ensure that projects are implemented within the Finance-approved project cost and schedule while providing the required business functionality. The Security Team, headed by the State Information Security Officer, is responsible for the statewide IT security program and promulgates IT security and operational recovery policies and procedures.

    TIRU and TOSU are now combined into one IT organization known as the OTROS. The OTROS Managers assigned to the Review and Oversight (RO) Team are now responsible for investment review and oversight activities for their agency assignments. This change will provide agencies with a single point of contact for IT investment review and project oversight information. The RO Team will perform the analysis necessary to evaluate an IT proposal and provide the oversight necessary during an approved project's lifecycle. Also, the RO Team will conduct in-depth IT assessments on projects and agencies as needed.

    The Security Team continues its previous functions and activities, and is the point of contact for IT security and operational recovery issues.

2. **Replacement of Workgroup Computing Policy with Desktop Mobile Computing Policy**

    This BL announces the replacement of the WCP with the DMCP. Established in the early 1990s, the WCP was a means for agency management to exercise appropriate control over their agency's use of microcomputer technology and to facilitate its use in a workgroup setting. The computing environment and the State's use of computing has changed substantially since that time. It is the intent of this new policy to reflect those changes and to improve the ability of agencies to acquire and manage their desktop and mobile computing infrastructure. It is Finance's expectation that under this new policy each state agency will continue to establish and maintain appropriate standards for the acquisition and use of desktop and mobile computing commodities.

    The DMCP applies to all State departments, offices, boards, commissions, institutions, and special organizational entities except the University of California, the California State University, the State Compensation Insurance Fund, community college districts, agencies provided by Article VI of the Constitution, or the Legislature, per SAM Section 4819.32.

    The DMCP establishes agency delegation for expenditures to purchase and maintain desktop and mobile computing commodities included within the agency's IT infrastructure, and replaces the WCP. Accordingly, the WCP discussed in SAM Sections 4989 through 4992, is replaced by the DMCP (see Attachment 1). This BL replaces or revises state policies and procedures referenced below until the SAM is updated:

Description	Impact to SAM and SIMM
The Statewide WCP is replaced by the DMCP.	SAM Sections 4989 through 4992 are deleted and replaced by SAM Sections 4989 through 4989.3.
WCP Annual Certification	SIMM Section 90 is deleted.
WCP Model Policy, Justification Form and Transmittal	SIMM Sections 130, 130A and 130B are deleted.
Workgroup Management Plan	SAM Section 4900.7, SIMM 115 and 115A are deleted.

The DMCP includes the acquisition and support of personal computers, laptop computers, personal digital assistants, peripheral equipment (e.g., printers), local area network (LAN) servers, and other equipment and software commonly required for most state employees to perform daily business transactions. Software under this policy includes word processing, spreadsheets, desktop database, and other *non-modifiable commercial-off-the-shelf* (COTS) desktop computing software typically purchased and installed on a standard desktop or mobile computer.

The DMCP excludes expenditures for wide area networks (WANs), specialized software, modifiable COTS, or hardware and software required for new IT projects which are reportable to Finance as defined in SAM Section 4819.37. If the agency has any questions as to whether an IT commodity expenditure is included in the DMCP, please contact the agency's OTROS Manager.

The DMCP allows agency expenditures for desktop and mobile computing commodities without approval of a Feasibility Study Report by Finance, *if the agency can purchase and maintain such assets from within its baseline budget or without a budget action.* The exception to the budget action restriction is use of the DMCP in purchasing standard complement desktop and mobile computing commodities appropriate for newly authorized positions. Finance reminds agencies that any redirection of funds for purchase or support of such IT commodities should not negatively impact the programs from which the redirections are made, and no budget requests to restore redirected funds may be submitted.

The DMCP should result in minor workload reductions for state agencies; therefore, implementation of this policy is not expected to result in any budget actions.

3. **Change to Delegated Cost Thresholds**

Finance assigns each agency a minimum total project development cost threshold for reporting purposes. (See SAM Section 4819.39.) Finance delegates to the agency the expenditure approval authority for any IT proposal with an estimated total development cost equal to or less than the agency's assigned cost threshold, provided the proposal does not meet any other Finance established reporting criteria as defined in SAM Section 4819.37.

The total development cost is synonymous with one-time cost and is defined as all estimated or projected costs associated with the analysis, design, programming, oversight, verification and validation services, staff training, data conversion, acquisition, and implementation of an IT investment. Excluded from development costs are estimated costs of continued maintenance and operations.

Finance has reassessed the delegated cost threshold assignments in light of today's IT environment. Effective immediately, most agencies receive an increase of 100 percent of the

agency's current delegated cost threshold. Consolidated State Data Centers (i.e., Stephen P. Teale and Health and Human Services Data Centers) will not receive an increase in their delegated cost thresholds at this time; however, Finance may reevaluate the data center cost threshold pending the Consolidated Data Center initiative effort. Finance, at its discretion, may change the delegated cost threshold of any agency.

The new delegated cost threshold assignments also apply to delegated IT projects currently underway, where the project costs may increase but are still below the agency's new delegated cost threshold, as long as the project does not meet any other criteria for reporting to Finance.

This change in Finance's policy for delegated cost thresholds does not change the Department of General Services' delegated authority for IT procurements.

A list of agencies and their assigned cost threshold for reporting IT expenditures/proposals to Finance is provided on the Finance Web site located at: http://www.dof.ca.gov/HTML/IT/SIMM/2004/8-04/SIMM_15.pdf .

4. **Suspension of Agency Information Management Strategy and Information Management Cost Report Reporting Activities to Finance**

BL 04-09 discussed state agencies' responsibilities for providing IT project-related information. The various IT reporting activities, the supporting policy reference for these activities, the instructions for submitting documents specific to each activity, and the associated due dates are summarized in SIMM Section 05A, and provided on the Finance Web site located at: http://www.dof.ca.gov/HTML/IT/SIMM/2004/8-04/SIMM_05A.pdf .

This BL revises the AIMS reporting requirement in SIMM 05A. Specifically, the requirement to submit the AIMS report and AIMS certification to Finance is suspended until further notice from Finance. Agencies must continue to complete their AIMS and AIMS certification as prescribed in SIMM Sections 60B and 110, and retain the documents with the agency's CIO.

This BL also revises the reporting requirement for the Information Management Cost Report (Cost Report). SIMM 05A states that this reporting requirement is suspended for 2004 and due annually every January thereafter starting in 2005. Some agencies have been notified to submit their Cost Report to Finance at that time. If your agency has not been so notified, the requirement to submit the Cost Report to Finance is suspended until further notice from Finance. These agencies must continue to collect the data required to produce the Cost Report and be able to report the information upon Finance's request.

Contact Information

If you have any questions regarding this BL, please contact your OTROS Manager at (916) 445-1777. A list of staff assignments by state agency is provided on the Finance Web site located at: http://www.dof.ca.gov/HTML/OTROS/OTROS_assignments.htm .

For questions regarding IT security, contact the IT Security Officer at 445-5239.

Comprehensive information regarding Statewide IT policy can be found on the Finance Web site located at: http://www.dof.ca.gov/HTML/IT/Statewide_IT.htm .

Statewide IT Subscription Service: Finance's OTROS maintains a subscription service for individuals interested in receiving IT-related information electronically. Finance implemented the Statewide IT Subscription Service to ensure that all CIOs receive IT-related BLs and other IT-related information. It is the ongoing responsibility of each agency to keep its subscription information current by having CIOs and other designated staff subscribe and unsubscribe to reflect personnel changes.

To subscribe or unsubscribe, go to Web link: http//www.dof.ca.gov/archives/dofitbudgetinfo.html .

For any technical assistance regarding the subscription service, please e-mail mailto:webmaster@dof.ca.gov .

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Deputy Director

Desktop and Mobile Computing Policy

4989 - DESKTOP AND MOBILE COMPUTING

In lieu of a Feasibility Study Report submitted to Finance, Finance delegates authority to acquire desktop and mobile computer commodities to agencies that have submitted acceptable Operational Recovery Plans (ORP) or ORP certifications, maintain compliance with all applicable state IT security provisions as defined in SAM Sections 4840 through 4845, and have appropriate plans for the use of desktop and mobile computing commodities.

Under the Desktop and Mobile Computing Policy, agencies may acquire desktop and mobile computing commodities necessary to support the agency's programmatic functions and business needs. This includes acquiring desktop and mobile computing commodities to support increased staffing, as well as the ongoing replacement of obsolete or nonfunctioning desktop and mobile computing commodities. Desktop and mobile computing configurations are expected to make use of proven, "off-the-shelf" hardware and software. Specific exclusions from this policy are listed in Section 4989.2 below.

Replacement of desktop and mobile computing commodities acquired as part of a previously approved IT project, as defined in SAM Section 4819.2, may be included in this policy as such commodities are incorporated into and are no longer distinguishable from the agency's IT infrastructure.

4989.1 - DESKTOP AND MOBILE COMPUTING POLICY DEFINITIONS

Communication – For the purpose of interpreting this policy, communication is the requesting, sending, transmitting, or receiving of electronic data via cable, telephone wire, wireless, or other communication facility.

Desktop and Mobile Computer Software – Commercially licensed software necessary for the operation, use, and/or security of desktop and mobile computers.

Desktop and Mobile Computer Supplies – Consumable commodities used for data storage, printing, and/or other IT supplies as defined in SAM Section 4819.2.

Desktop and Mobile Computing – For the purposes of this policy, desktop and mobile computing is the use of desktop and mobile computing commodities in support of state agencies' business operations.

Desktop and Mobile Computing Commodities – Hardware and software commonly required for most state employees to perform daily business transactions such as desktop computers, mobile computers (e.g., personal digital assistants, laptop computers), desktop and mobile computer software, servers, server software, peripheral devices (e.g., printers), supplies, and LAN infrastructure.

Desktop and Mobile Computing Servers – Computer servers necessary for the operation, use, and/or security of desktop and mobile computers.

Desktop and Mobile Server Software – Commercially licensed server software necessary for the operation, use, and/or security of desktop and mobile computers.

Desktop Computers – Computing devices, generally designed to remain in a fixed location, that can connect by cable, telephone wire, wireless transmission, or via any Internet connection to an agency's IT infrastructure and/or data systems.

Information Technology Asset Management – The effective tracking and managing of IT assets for an agency's program and enterprise IT infrastructure and production systems, including the ability to identify and classify agency-owned hardware and software, telecommunications, maintenance costs and expenditures, support requirements (e.g., state staff, vendor support), and the ongoing refresh activities necessary to maintain the agency's IT assets.

Information Technology Infrastructure – An agency's platform for the delivery of information to support agency programs and management. Included in the infrastructure are equipment, software, communications, rules, and vision.

Local Area Network (LAN) – Two or more desktop or mobile computers at the same site connected by cable, telephone wire, wireless or other communication facility providing the ability to communicate or to access shared data storage, printers, or other desktop and mobile computing commodities.

Mobile Computers – Portable-computing devices that can connect by cable, telephone wire, wireless transmission, or via any Internet connection to an agency's IT infrastructure and/or data systems.

Wide Area Network (WAN) – Two or more physical locations connected by cable, wire, or other wireless transmission, providing the ability to communicate between locations and/or Internet connectivity.

4989.2 - EXCLUSIONS

The following activities are excluded from the Desktop and Mobile Computing Policy and must be treated in accordance with SAM Sections 4819.3 through 4819.42.

IT Projects – As defined in SAM Section 4819.2, beyond the acquisition, installation, and operation of DMCP commodities as defined in this policy. The acquisition of desktop and mobile computing commodities required for an IT project, whether reportable or delegated, must be included within the project scope and acquired under the approved project's authority. Use of this policy to circumvent IT project reporting requirements or to make an otherwise reportable project fall within delegated thresholds is expressly prohibited.

Budget Actions – Any acquisition, maintenance, or support of desktop and mobile computing commodities which requires a Budget Change Proposal, a Budget Revision, or other budget action is not covered by the Desktop and Mobile Computing Policy. However, this policy may be used to acquire the standard complement of desktop and mobile computing commodities as approved by Finance for new positions.

Specialized or Single-Purpose Systems – Acquiring any specialized, single-purpose, non-modifiable system, such as computer-aided design systems, desktop publishing systems, programmer workbench systems, or artificial intelligence systems is excluded from the policy. However, software-based applications used on a general-purpose personal computer may be covered by the policy. For example, desktop publishing employing word processing, graphics, and page layout software packages on a general-purpose personal computer falls within this policy; desktop publishing employing a specialized computer system that has been developed and marketed for the sole purpose of doing desktop publishing does not. A specialized, single-purpose system that allows some connectivity to an agency's existing systems, such as electronic mail, is still considered a specialized or single-purpose system for the purposes of this policy.

Infrastructure or Platform Migration – Acquisitions associated with or mandated by a change in an agency's standard technical architecture for servers, desktops and/or mobile computing platforms are excluded from the policy. Migrating to a newer version within the existing standard's product family is not considered an infrastructure or platform migration.

Wide Area Networks (WAN) – The acquisition, maintenance, or support of desktop and mobile computing commodities specifically to install or operate a WAN are excluded from the policy. These activities for WANs are considered IT projects, or components of IT projects, for the purposes of this policy. However, upgrading the capacity of a previously approved WAN project may fall within the definition of a previously approved project. (See SAM Section 4819.2: "Previously Approved Effort/Project".)

While the acquisition of desktop and mobile computing commodities specifically for or required by the above-mentioned activities is specifically prohibited under this policy, existing desktop and mobile computing commodities purchased under this policy may be used for some of these purposes. For example, existing desktop computers purchased under this policy may be used in the development of a reportable IT project.

Whenever an agency is uncertain as to whether a proposed use of desktop and mobile computing commodities falls within the scope of this policy, it should seek a determination from Finance.

4989.3 - AGENCY ROLES AND RESPONSIBILITIES

Management. Day-to-day management responsibility for desktop and mobile computing configurations resides with the manager who has supervisory responsibility for the individual or individuals who use the products. The manager must ensure that the acquisition and use of desktop and mobile computing commodities support the accomplishment of agency objectives and that the individual or individuals who will be using the products are trained in their use.

Each agency must have a plan for the appropriate application of desktop and mobile computing. Each agency must ensure that its plans are consistent with the agency's information management standards, policies, and procedures and its information technology infrastructure. Agency plans for implementing desktop and mobile computing must not preclude the implementation of other agency applications on the same configuration. Agencies are responsible for establishing desktop and mobile computing standard configurations, ensuring each acquisition made under this policy is consistent with those standards, and accurately tracking the costs associated with such acquisitions. In addition, agencies are responsible for the creation and maintenance of IT assets inventories for commodities purchased under this policy.

Agency management has a responsibility to establish standards of technical assistance in support of LAN activities such as installation, configuration, problem-determination, maintenance, backup, recovery, and required activities beyond those normally associated with stand-alone desktop or mobile computers. Agencies are expected to maintain internal processes to ensure that any IT commodities acquired under the authority of this policy are compliant with all applicable hardware, software, and security standards for the agency.

Agency management is responsible for taking appropriate action in the event of employee misuse of desktop and mobile computing technology or employee failure to comply with State and agency policy governing the use of desktop and mobile computing.

Security. Desktop and mobile computing environments owned by state agencies involve the risk of property loss, threats to privacy, and threats to the integrity of state operations. Accordingly, agencies must be in compliance with all applicable provisions of the SAM and must implement appropriate safeguards to secure the agency's desktop and mobile computing infrastructure.

Current agency Operational Recovery Plans (ORP) or acceptable ORP certifications must be on file at Finance. Agencies that do not demonstrate effective compliance with the State's IT security policy and

Operational Recovery policy are not authorized to make any expenditures for desktop or mobile computing commodities until the agency has complied. (See SAM Sections 4840 through 4845.)

Desktop and Mobile Computing Coordinator. In order to ensure ongoing IT asset management practices are followed, agencies employing desktop and mobile computing should designate a unit or individual employee of the agency as the agency's Desktop and Mobile Computing Coordinator or equivalent function. The coordinator must be knowledgeable about (a) desktop and mobile computing configurations; (b) state-level and agency policies for the use of desktop and mobile computing commodities; and (c) the relationship between desktop and mobile computing and other uses of information technology within the agency.

The responsibilities of the coordinator should include:

1. Maintaining current specifications for the agency's desktop and mobile computing commodity standards;

2. Assisting in the completion and review of any DMCP documents if required by the agency's policies and procedures;

3. Coordinating the acquisition of desktop and mobile computing commodities;

4. Informing desktop and mobile computing users of available training and technical support capabilities; and

5. Maintaining continuing liaison with agency IT management to ensure that: (a) proposed desktop and mobile computing applications are consistent with the agency's established information management strategy and information technology infrastructure, and (b) desktop and mobile computing configurations can support the implementation of other agency applications.